

WSDOT AGENCY RESPONSE TO SAO FINDINGS

BRIEFING PAPER

Prepared for the
April 2004 Transportation Commission Audit Oversight Subcommittee Meeting

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PURPOSE:

This presentation is being provided to the Transportation Commission Audit Subcommittee to provide committee members with an opportunity to hear directly from representatives of WSDOT about their planned corrective action, if any, to address the concerns of the State Auditor. The Department must submit their corrective action plan to the Office of Financial Management (OFM), within 30 days after the release date of the State Auditor's report.

ACTION/OUTCOME:

The Commission may want to ask clarifying questions regarding the planned actions of WSDOT management. The Commission may also want to consider a future date for a follow up with WSDOT staff, to learn about the status of any corrective action that WSDOT management deemed appropriate under the circumstances.

BACKGROUND:

The State Auditor conducts annual fiscal year audits of the Department. On March 24, 2003, SAO released their fiscal year 2003 Accountability Report, which included five reported findings within WSDOT. The SAO work covered 18 areas, which resulted in five findings.

In addition, the SAO also conducted work in the area of *Formula Grants for Other Than Urban Areas* program, which was audited as part of a statewide single audit. SAO also conducted work associated with the Comprehensive Annual Financial Report (CAFER) which had three balances considered material to their audit of the Combined Annual Financial Report: Land and Infrastructure, Furnishings and Equipment, and Transportation Expenditures.

WSDOT representatives will discuss their proposed plan of action, if any, to each of the following SAO FY2003 audit findings.

Fiscal Year 2003 Audit Findings discussed during this presentation include the following:

- The Department of Transportation's controls over access to applications and data files on the mainframe are not adequate.
- The Department of Transportation paid nearly \$30 million to reimburse the developer of the Tacoma Narrows Bridge Project without gaining adequate assurance that the costs met contract terms and were actually incurred.
- The Department of Transportation's Washington State Ferries Division is not following state purchasing guidelines when buying from vendors deemed a sole source.
- The Department of Transportation's Washington Ferry Division does not have adequate controls over ticket sales and revenue collection.
- The Department of Transportation's Washington State Ferries Division made travel payments to employees in excess of contract amounts and lacked adequate controls over travel payments.

DISCUSSION:

The SAO conducts audits on a fiscal year basis, having just released their fiscal year 2003 report on March 24, 2003. As such, at the time of the Commission meeting, we will be into the 9th month of the current fiscal year 2004 audit cycle by SAO. Thus the potential for repeat audit findings in 2004 should be anticipated, unless the agency corrective action is deemed appropriate by the SAO within the next 2-3 months.

RECOMMENDATION:

Recommend the Commission request the Department to provide status reports on the agency's corrective action plan over the next three to six months, in addition to the OFM 30-day required response.

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